



Village of Onekama

Manistee County, Michigan

**Audit Report with Required
Supplementary Information**

For the Year Ended February 28, 2005

51-3050

Village of Onekama
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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Onekama	County Manistee
Audit Date 2-28-05	Opinion Date 8-23-05	Date Accountant Report Submitted to State: 8-29-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Kalcher, Vanderwal & Torrey, P.C.			
Street Address 475 Water Street	City Manistee	State MI	ZIP 49660
Accountant Signature Daniel J. Richards, CPA		Date 8/29/05	

**KALCHER
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& TORREY, P.C.**

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TRAVERSE CITY
MANISTEE

CERTIFIED PUBLIC ACCOUNTANTS

Of Counsel:
LEONARD R. KALCHER, C.P.A.

Independent Auditor's Report

August 23, 2005

To The Village Council
Village of Onekama
Onekama, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Onekama, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Onekama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onekama, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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As described in Note 1, the Village of Onekama has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted as of March 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005, on our consideration of the Village of Onekama, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 9 and 31 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Onekama, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kalchauer, Vanderweil & Soney, P.C.

Certified Public Accountants

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& TORREY, P.C.**

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CERTIFIED PUBLIC ACCOUNTANTS

TRAVERSE CITY
MANISTEE

Of Counsel:
LEONARD R. KALCHER, C.P.A.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

August 23, 2005

To the Village Council
Village of Onekama
Onekama, Michigan

We have audited the financial statements of the Village of Onekama, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Onekama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Page Two
Village of Onekama
August 23, 2005

This report is intended for the information of the Village Council and management. However this report is a matter of public record and its distribution is not limited.

Kalcher, Vandervaal & Joney, P.C.

Certified Public Accountants

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

Overview of the Financial Statements

The Village of Onekama's basic financial statements is comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Village include a sewer service.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the

funds of the Village can be divided into two categories-governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' short-term financing decisions. The governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Major Street Fund and Local Street Fund, which are considered to be major funds. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the from of combining statements elsewhere in this report.

Proprietary funds. The Village has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for is sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses its internal service fund to charge the costs of equipment used to the individual funds. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Government-wide financial analysis

For the fiscal year ended February 28, 2005, net assets of the Village increased by \$ 81,205 to \$ 1,646,163.

Fund Financial Analysis

For the fiscal year ended February 28, 2005, the fund balance of the General Fund increased by \$ 15,549 to \$ 237,794, the Major Street Fund decreased by \$ 4,368 to \$46,736, the Local Street Fund increased by \$ 6,166 to \$ 45,762, the Non-major funds decreased by \$ 7,525 to \$ 15, 847, the sewer fund increased by \$ 33,177 to \$ 931,072 and the internal service fund increased by \$ 3,417 to \$ 180,260.

General Fund Budgetary Highlights

For the fiscal year ended February 28, 2005, total governmental funds had an ending balance of \$ 346,139. That is an increase in total fund balance of \$ 9,822 or 3%. The general fund balance is \$ 237,794 or one and one half years fund equity. During the year, major improvements had been made to the central governmental offices. The Village has also initiated construction on the new cemetery and preliminary engineering has been done to the new park weir. Income from state grants to the general fund was decreased by \$ 35,364 from the budgeted amounts. The total income was over budgeted by \$ 62,328; however reduced spending led to only a \$ (24,551) variance in general fund balance.

Capital Assets & Debt Administration

The great majority of current assets and debt are in the Enterprise/Sewer Fund, which reflects total assets of \$ 1,615,430 and total net assets of \$ 931,072. The Village invested a combined total of \$ 74,617 in major and local street improvements for the current year. Total debt in the Sewer fund consisted of \$ 366,000 in bonds.

Economic Factors & Next Years Budget & Rates

The Village has finalized plans and finances for the Sanitary Sewer Upgrade at a total cost of \$ 3,765,000. Of that amount, \$ 2,456,000 is in the form of federal grants from Rural Development and \$ 1,229,000 is low interest 40 year bonds. The new debt will result in an increase of sewer rates from \$ 26.90 per month to \$ 30.00 per month. However, the properties purchased with the grants far exceed the needs of the Village and were in fact purchased to accommodate a partnership with the Bear Lake/Pleasanton Sewer Authority (BLPSA). BLPSA has plans to build there own collection system, then "buy into" the Onekama Sanitary Sewer System for treatment. That "buy in" would allow the Village to pay off bonds early, reducing debt and thus reduce rates substantially.

Grants have also been applied for to construct the weir at the park boat launch. These grants have been tentatively approved and construction should be completed in the coming year with little or no cost impact on the budget.

The Cemetery will also be completed with funds budgeted from the general fund. Finally, the ongoing yearly street improvements will continue with the 1 mill dedicated from general revenues as will the development of the Street Trees Program.

The Village plans to maintain millage rates at 5 mils with 1 mil of that dedicated to local streets. We see no need for increases in the foreseeable future.

Contacting the Village's Managements

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Village of Onekama
Government Wide Statements Of Net Assets
February 28, 2005

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash	\$ 372,386	\$ 126,760	\$ 499,146
Restricted Cash	-	115,788	115,788
Internal Balances	35,864	(35,864)	-
Due from Other Governments	25,171	-	25,171
Interest Receivable	663	-	663
Inventories	-	2,029	2,029
Franchise Fee Receivable	2,519	12,535	15,054
Total Current Assets	<u>\$ 436,603</u>	<u>\$ 221,248</u>	<u>\$ 657,851</u>
<u>Non-Current Assets</u>			
Capital Assets	\$ 283,105	\$ 880,745	\$ 1,163,850
Construction in Process	-	477,573	477,573
Total Non-Current Assets	<u>\$ 283,105</u>	<u>\$ 1,358,318</u>	<u>\$ 1,641,423</u>
<u>Total Assets</u>	<u>\$ 719,708</u>	<u>\$ 1,579,566</u>	<u>\$ 2,299,274</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 4,078	\$ 276,004	\$ 280,082
Accrued Interest Payable	-	2,958	2,958
Deferred Revenue	-	2,882	2,882
Payroll Taxes Payable	1,189	-	1,189
Current Portion of Non-Current Liabilities	-	30,000	30,000
Total Current Liabilities	<u>\$ 5,267</u>	<u>\$ 311,844</u>	<u>\$ 317,111</u>
<u>Non-Current Liabilities</u>			
Bonds Payable	\$ -	\$ 336,000	\$ 336,000
<u>Total Liabilities</u>	<u>\$ 5,267</u>	<u>\$ 647,844</u>	<u>\$ 653,111</u>
<u>Net Assets</u>			
Invested In Capital Assets - Net of Debt	\$ 283,105	\$ 721,442	\$ 1,004,547
Restricted	-	43,203	43,203
Unrestricted	431,336	167,077	598,413
Total Net Assets	<u>\$ 714,441</u>	<u>\$ 931,722</u>	<u>\$ 1,646,163</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 719,708</u>	<u>\$ 1,579,566</u>	<u>\$ 2,299,274</u>

The Notes to Financial Statements as an integral part of this statement.

Village of Onekama
Government Wide Statement of Activities
For The Year Ended February 28, 2005

For the Year Ended February 28, 2005

Functions/Programs	Program Revenue				Primary Government			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charge for Services	Operating		Governmental Activities	Business-Type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
General Government	\$ 72,503	\$ 4,577	\$ -	\$ -	\$ (67,926)	\$ -	\$ (67,926)	
Public Safety	1,416	-	-	-	(1,416)	-	(1,416)	
Public Works	74,617	475	-	-	(74,142)	-	(74,142)	
Community and Economic Development	1,469	-	-	-	(1,469)	-	(1,469)	
Recreation and Cultural	8,352	-	-	18,900	10,548	-	10,548	
Other	17,439	-	-	-	(17,439)	-	(17,439)	
Total Governmental Activities	<u>\$ 175,796</u>	<u>\$ 5,052</u>	<u>\$ -</u>	<u>\$ 18,900</u>	<u>\$ (151,844)</u>	<u>\$ -</u>	<u>\$ (151,844)</u>	
Business-Type Activities:								
Sewer	<u>\$ 109,430</u>	<u>\$ 140,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,090</u>	<u>\$ 31,090</u>	
General Revenues:								
Property Taxes					\$ 73,561	\$ -	\$ 73,561	
State-Shared Revenues					106,222	-	106,222	
Unrestricted Investment Earnings					4,568	2,737	7,305	
Miscellaneous					17,674	-	17,674	
Transfers					(2,803)	-	(2,803)	
Total General Revenues and Transfers					<u>\$ 199,222</u>	<u>\$ 2,737</u>	<u>\$ 201,959</u>	
Changes in Net Assets					\$ 47,378	\$ 33,827	\$ 81,205	
Net Assets - March 1, 2004					667,063	897,895	1,564,958	
Net Assets - February 28, 2005					<u>\$ 714,441</u>	<u>\$ 931,722</u>	<u>\$1,646,163</u>	

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Governmental Fund Balance Sheet
February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 182,299	\$ 42,541	\$ 43,326	\$ 19,350	\$ 287,516
Due from Other Funds	38,974	-	730	-	39,704
Due from Other Governments	16,540	5,707	2,924	-	25,171
Interest Receivable	663	-	-	-	663
Franchise Fee Receivable	2,519	-	-	-	2,519
Total Assets	<u>\$ 240,995</u>	<u>\$ 48,248</u>	<u>\$ 46,980</u>	<u>\$ 19,350</u>	<u>\$ 355,573</u>
<u>Liabilities</u>					
Accounts Payable	\$ 1,959	\$ -	\$ -	\$ 1,451	\$ 3,410
Due to Other Funds	53	1,512	1,218	2,052	4,835
Payroll Taxes Payable	1,189	-	-	-	1,189
Total Liabilities	<u>\$ 3,201</u>	<u>\$ 1,512</u>	<u>\$ 1,218</u>	<u>\$ 3,503</u>	<u>\$ 9,434</u>
<u>Fund Balance</u>					
Unreserved	\$ 237,794	\$ 46,736	\$ 45,762	\$ 15,847	\$ 346,139
Total Fund Balance	<u>\$ 237,794</u>	<u>\$ 46,736</u>	<u>\$ 45,762</u>	<u>\$ 15,847</u>	<u>\$ 346,139</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 240,995</u>	<u>\$ 48,248</u>	<u>\$ 46,980</u>	<u>\$ 19,350</u>	<u>\$ 355,573</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
February 28, 2005

Total Fund Balance - Governmental Funds \$ 346,139

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capitalized assets used in governmental activities are not
financial resources and are not reported in
governmental funds.

Cost of Capital Assets	\$ 258,894	
Accumulated Depreciation	<u>(70,202)</u>	
		188,692

Internal service funds are used by management to charge
the cost of equipment used to individual funds. The assets
and liabilities of the internal service funds are included in
governmental activities in the Statement of Net Assets

179,610

Net Assets of Governmental Activities in the Statement of Net Assets

\$ 714,441

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance
For The Year Ended February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes and Penalties	\$ 73,561	\$ -	\$ -	\$ -	\$ 73,561
Licenses and Permits	475	-	-	-	475
State Grants	51,636	34,640	18,414	1,532	106,222
Local Grant	18,900	-	-	-	18,900
Charges for Services	1,977	-	-	785	2,762
Interest	3,769	328	293	178	4,568
Rents and Royalties	13,494	-	-	-	13,494
Miscellaneous	209	-	-	-	209
Donations	4,931	-	-	850	5,781
Sale of Property	5	-	-	-	5
Total Revenues	<u>\$ 168,957</u>	<u>\$ 34,968</u>	<u>\$ 18,707</u>	<u>\$ 3,345</u>	<u>\$ 225,977</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 80,926	\$ -	\$ -	\$ 9,454	\$ 90,380
Public Safety	-	-	-	1,416	1,416
Public Works	8,822	30,184	35,611	-	74,617
Community and Economic Development	1,469	-	-	-	1,469
Recreation and Cultural	28,031	-	-	-	28,031
Other	17,439	-	-	-	17,439
Total Expenditures	<u>\$ 136,687</u>	<u>\$ 30,184</u>	<u>\$ 35,611</u>	<u>\$ 10,870</u>	<u>\$ 213,352</u>
<u>Excess of Revenues Over (Under)</u>					
Expenditures	<u>\$ 32,270</u>	<u>\$ 4,784</u>	<u>\$ (16,904)</u>	<u>\$ (7,525)</u>	<u>\$ 12,625</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ -	\$ -	\$ 23,070	\$ -	\$ 23,070
Transfers Out	<u>(16,721)</u>	<u>(9,152)</u>	<u>-</u>	<u>-</u>	<u>(25,873)</u>
Total Other Financing Sources (Uses)	<u>\$ (16,721)</u>	<u>\$ (9,152)</u>	<u>\$ 23,070</u>	<u>\$ -</u>	<u>\$ (2,803)</u>
<u>Excess of Revenues and Other Sources Over (Under)</u>					
Expenditures and Other Uses	\$ 15,549	\$ (4,368)	\$ 6,166	\$ (7,525)	\$ 9,822
Fund Balance March 1, 2004	<u>222,245</u>	<u>51,104</u>	<u>39,596</u>	<u>23,372</u>	<u>336,317</u>
Fund Balance February 28, 2005	<u><u>\$ 237,794</u></u>	<u><u>\$ 46,736</u></u>	<u><u>\$ 45,762</u></u>	<u><u>\$ 15,847</u></u>	<u><u>\$ 346,139</u></u>

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Reconciliation of the Statement of Revenue, Expenditures and Changes In
Fund Balance of Governmental Funds to the Statement of Activities
February 28, 2005

Net Change in Fund Balance - Total Governmental Funds \$ 9,822

Amounts reported for governmental activities in the Statement of
Activities are different because:

Government funds report outlays for capital assets as expenditures.
In the Statement of Activities these assets are depreciated over
their estimated useful lives.

Depreciation	\$ (6,248)	
Capital Outlay	<u>41,037</u>	
		34,789

Internal Service Funds are used by management to charge the cost
of equipment used to individual funds. The net revenue of the internal
service funds is reported with governmental activities.

2,767

Changes in Net Assets-Governmental Activities	<u><u>\$ 47,378</u></u>
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Village of Onekama
Proprietary Fund Statement of Net Assets
February 28, 2005

	Enterprise Fund - Sewer Fund	Governmental Activities - Internal Service Fund
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 126,760	\$ 84,870
Restricted Cash	115,788	-
Receivables	12,535	-
Inventories	2,029	-
Due From Other Funds	-	1,728
Total Current Assets	<u>\$ 257,112</u>	<u>\$ 86,598</u>
Non-Current Assets:		
Capital Assets	\$ 880,745	\$ 94,413
Construction in Process	477,573	-
Total Non-Current Assets	<u>\$ 1,358,318</u>	<u>\$ 94,413</u>
<u>Total Assets</u>	<u>\$ 1,615,430</u>	<u>\$ 181,011</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 276,004	\$ 668
Due to Other Funds	36,514	83
Accrued Interest Payable	2,958	-
Deferred Revenue	2,882	-
Current Portion of Non-Current Liabilities	30,000	-
Total Current Liabilities	<u>\$ 348,358</u>	<u>\$ 751</u>
Non-Current Liabilities:		
Bonds Payable	\$ 336,000	\$ -
<u>Total Liabilities</u>	<u>\$ 684,358</u>	<u>\$ 751</u>
<u>Net Assets</u>		
Invested in Capital Assets - Net of Related Debt	\$ 721,442	\$ 94,413
Restricted for Debt Service	43,203	-
Unrestricted	166,427	85,847
Total Net Assets	<u>\$ 931,072</u>	<u>\$ 180,260</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,615,430</u>	<u>\$ 181,011</u>
Total Net Assets	\$ 931,072	
Adjustments to reflect the consolidation of internal service fund activities related to the enterprise fund	650	
Net Assets of Business-Type Activities	<u>\$ 931,722</u>	

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets
For The Year Ended February 28, 2005

	Enterprise Fund - Sewer Fund	Governmental Activities - Internal Service Fund
<u>Operating Revenues</u>		
Charges for Services	\$ 140,520	\$ 31,535
<u>Operating Expenses</u>		
Personal Services	\$ 12,322	\$ 987
Professional Services	715	-
Utilities	12,337	1,423
Repairs and Maintenance	14,969	9,247
Equipment Rental	6,001	-
Other Supplies and Expenses	7,929	8,844
Depreciation	36,291	10,718
Total Operating Expenses	\$ 90,564	\$ 31,219
Operating Income (Loss)	\$ 49,956	\$ 316
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	\$ 2,737	\$ 298
Interest Expense	(19,516)	-
Total Non-Operating Revenue (Expense)	\$ (16,779)	\$ 298
Income (Loss) Before Transfers	\$ 33,177	\$ 614
Transfers In	\$ -	\$ 2,803
Change in Net Assets	\$ 33,177	\$ 3,417
Total Net Assets - March 1, 2004	897,895	176,843
Total Net Assets - February 28, 2005	\$ 931,072	\$ 180,260
Change in net assets	\$ 33,177	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	650	
Change in net assets of business-type activities	\$ 33,827	

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Proprietary Statement of Cash Flows
For The Year Ended February 28, 2005

	Enterprise Fund - Sewer Fund	Governmental Activities - Internal Service Fund
<u>Cash Flows From Operation Activities</u>		
Receipts From Customers	\$ 139,608	\$ -
Cash Receipts from Interfund Services	-	30,109
Payments to Suppliers	(88,453)	(35,482)
Cash Payments for Interfund Services	(6,001)	-
Payments to Employees	(12,014)	(870)
Other Receipts (Payments)	36,000	177
Net Cash Provided (Used) by Operating Activities	<u>\$ 69,140</u>	<u>\$ (6,066)</u>
 <u>Cash Flows From Non-Capital Financing Activities</u>		
Transfers From Other Funds	<u>\$ -</u>	<u>\$ 2,803</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of Capital Assets	\$ (307,565)	\$ (4,230)
Principal and Interest Paid on Capital Debt	(48,750)	-
Other Receipts (Payments)	270,876	-
Net Cash Used by Capital and Related Financing Activities	<u>\$ (85,439)</u>	<u>\$ (4,230)</u>
 <u>Cash Flows From Investing Activities</u>		
Interest Income	<u>\$ 4,398</u>	<u>\$ 297</u>
Net Cash Provided by Investing Activities	<u>\$ 4,398</u>	<u>\$ 297</u>
 Net Decrease in Cash and Cash Equivalents	 \$ (11,901)	 \$ (7,196)
Balance - March 1, 2004	<u>254,449</u>	<u>92,066</u>
Balance - February 28, 2005	<u><u>\$ 242,548</u></u>	<u><u>\$ 84,870</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Onekama conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Onekama. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Accounting Change

Effective March 1, 2004, the Village implemented the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB No. 34)*, along with all related statements and interpretations. Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

1. A management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.
2. Village-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
3. The fund financial statements focus on major funds rather than fund types.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Note 1 - Summary of Significant Accounting Policies - *continued*

Government-Wide and Fund Financial Statements – *continued*

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village's property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st.

Although the Village's 2005 ad valorem tax is levied and collectible on July 1, 2005, it is the Village's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Village totaled \$13,918,215, on which ad valorem taxes levied consisted of 5 mills for the Village operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Note 1 - Summary of Significant Accounting Policies - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street and Local Street Funds accounts for the resources of state gas and weight tax revenues that are restricted for use on major and local streets.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following fund type:

Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 31, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Note 1 - Summary of Significant Accounting Policies - *continued*

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Note 1 - Summary of Significant Accounting Policies - continued

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. The Village Council made supplemental budgetary appropriations during the year.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Public hearings are conducted at the Village office to obtain taxpayer comments.
- b. No later than February, the budget is legally enacted through passage of a resolution.
- c. Supplemental appropriations, when required to provide additional expenditures are matched by additional anticipated revenue or an appropriations of available fund balance and must be approved by the Village Council. All appropriations lapse at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund - Public Works	\$ 8,200	\$ 8,822
General Fund - Other Insurance	7,000	8,917
Major Street - Transfers Out	7,000	9,152

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Complied Laws, Section 129.91, authorizes the Village of Onekama to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village of Onekama is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated five banks for the deposit of the Village funds. The investment policy was adopted by the board in accordance with Public Act 196 of 1997.

At year end, the Village's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Total Primary Government
Cash and Cash Equivalents	\$ 372,386	\$ 126,760	\$ 499,146
Restricted Cash	-	115,788	115,788
Total	<u>\$ 372,386</u>	<u>\$ 242,548</u>	<u>\$ 614,934</u>

The bank balance of the primary government's deposits is \$617,288 of which \$586,246 is covered by federal depository insurance.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Street	Local Street	Sewer	Non-Major and Other Funds	Total
Accounts Receivable	\$ 2,519	\$ -	\$ -	\$ 12,535	\$ -	\$ 15,054
Intergovernmental	16,540	5,707	2,924	-	-	25,171
Interest and Other						
Gross Receivable	663	-	-	-	-	663
Net Receivables	<u>\$ 19,722</u>	<u>\$ 5,707</u>	<u>\$ 2,924</u>	<u>\$ 12,535</u>	<u>\$ -</u>	<u>\$ 40,888</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 44,203	\$ -	\$ -	\$ 44,203
Capital Assets Being Depreciated:				
Buildings	\$ 154,328	\$ 22,130	\$ -	\$ 176,458
Machinery and Equipment	222,024	23,137	-	245,161
Subtotal	<u>\$ 376,352</u>	<u>\$ 45,267</u>	<u>\$ -</u>	<u>\$ 421,619</u>
Less: Accumulated Depreciation for:				
Buildings	\$ (52,002)	\$ (3,696)	\$ -	\$ (55,698)
Machinery and Equipment	<u>(113,749)</u>	<u>(13,270)</u>	<u>-</u>	<u>(127,019)</u>
Subtotal	<u>\$ (165,751)</u>	<u>\$ (16,966)</u>	<u>\$ -</u>	<u>\$ (182,717)</u>
Net Capital Assets Being Depreciated	<u>\$ 210,601</u>	<u>\$ 28,301</u>	<u>\$ -</u>	<u>\$ 238,902</u>
Governmental Activities Capital Total:				
Capital Assets - Net of Depreciation	<u>\$ 254,804</u>	<u>\$ 28,301</u>	<u>\$ -</u>	<u>\$ 283,105</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 5 - CAPITAL ASSETS – continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 56,200	\$ 8,500	\$ -	\$ 64,700
Construction in Progress	<u>220,937</u>	<u>256,636</u>	<u>-</u>	<u>477,573</u>
Subtotal	<u>\$ 277,137</u>	<u>\$ 265,136</u>	<u>\$ -</u>	<u>\$ 542,273</u>
Capital Assets Being Depreciated:				
Sewer System	\$ 1,571,214	\$ 42,429	\$ -	\$ 1,613,643
Less: Accumulated Depreciation for:				
Sewer System	<u>\$ (761,308)</u>	<u>\$ (36,290)</u>	<u>\$ -</u>	<u>\$ (797,598)</u>
Net Capital Assets Being Depreciated:	<u>\$ 809,906</u>	<u>\$ 6,139</u>	<u>\$ -</u>	<u>\$ 816,045</u>
Governmental Activities Capital Total:				
Capital Assets - Net of Depreciation	<u>\$ 1,087,043</u>	<u>\$ 271,275</u>	<u>\$ -</u>	<u>\$ 1,358,318</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 4,253
Recreation and Culture	1,995
Internal Service Fund Depreciation is Charged to the Various Functions Based on Their Usage of the Assets	<u>10,718</u>
Total Governmental Activities	<u>\$ 16,966</u>
Business-Type Activities:	
Sewer	<u>\$ 36,290</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 5 - CAPITAL ASSETS – continued

Construction Commitments – The government has an active construction project at year-end. At year-end the government's commitment with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer Project	<u>\$ 477,573</u>	<u>\$ -</u>

The contract for the sewer project was not signed until May 12, 2005. Total contract price is \$2,204,945.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
General	Sewer	\$ 36,191
	Cemetery	1,934
	Liquor	118
	Local Street	392
	Major Street	256
	Equipment	83
Local Street	Major Street	730
Equipment	General	53
	Major Street	525
	Local Street	825
	Sewer	325
Total		<u>\$ 41,432</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - *continued*

Interfund Transfers

	Transfers (Out)		
	General Fund	Major Street Fund	Total
Transfers In			
Local Street	\$ 13,918	\$ 9,152	\$ 23,070
Equipment	2,803	-	2,803
Total	<u>\$ 16,721</u>	<u>\$ 9,152</u>	<u>\$ 25,873</u>

NOTE 7 - LEASES

The Village has entered into contracts with several local oil and gas companies and has leased some park, cemetery, and other properties and portions of streets and alleys to these companies for mineral rights. The Village currently receives oil and gas royalties from these properties.

NOTE 8 – LONG-TERM DEBT

Bond activity can be summarized as follows:

	Interest Rate	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities:					
1973 Sewage Bond	5%	\$ 233,000	\$ (27,000)	\$ 206,000	\$ 28,000
1996 Sewage Bond	5%	162,000	(2,000)	160,000	2,000
		<u>\$ 395,000</u>	<u>\$ (29,000)</u>	<u>\$ 366,000</u>	<u>\$ 30,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year-End February 28,	Business-Type Activities	
	Principal	Interest
2006	30,000	18,300
2007	30,000	16,800
2008	32,000	15,300
2009	32,000	13,700
2010	32,000	12,100
2011-2015	78,000	40,350
2016-2020	24,000	30,700
2021-2025	31,000	24,000
2026-2030	37,000	15,700
2031-2035	40,000	6,000
	<u>366,000</u>	<u>192,950</u>

The Village is in compliance with the bond ordinance's bond reserve requirements.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 9 – RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue Bond Restrictions:

Improvement and Replacement Account \$	72,585
Bond Reserve	<u>43,203</u>

Total Restricted Assets	<u>\$ 115,788</u>
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NOTE 10 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to ; thefts of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. The Village is insured through the Michigan Township Participating Plan which is a public risk pool currently operating as a common risk management and insurance program for Michigan Municipalities. The Village pays an annual premium to the Michigan Township Participating Plan for its insurance coverage. The Village has general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate. Property insurance holds a \$100 deductible. Settled claims have not exceeded their coverage in any of the past years.

Note 11 – USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Onekama
Budgetary Comparison Schedule - General Fund
For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 222,245	\$ 222,245	\$ 222,245	\$ -
<u>Resources (Inflows)</u>				
• Taxes and Penalties	\$ 72,600	\$ 82,000	\$ 73,561	\$ (8,439)
Licenses and Permits	350	475	475	-
• State Grants	87,000	87,000	51,636	(35,364)
Local Grant	-	-	18,900	18,900
Charges for Services	1,800	2,325	1,977	(348)
Interest	4,000	4,000	3,769	(231)
Rents and Royalties	8,500	8,500	13,494	4,994
Donations	300	19,200	209	(18,991)
Miscellaneous	20,680	27,780	4,931	(22,849)
Sale of Property	-	5	5	-
Amounts Available for Appropriation	\$ 195,230	\$ 231,285	\$ 168,957	\$ (62,328)
<u>Charges to Appropriations (Outflows)</u>				
General Government:				
Village Council	\$ 32,900	\$ 34,125	\$ 25,216	\$ 8,909
Elections	1,500	1,525	758	767
Clerk	13,700	13,725	13,484	241
Treasurer	4,850	11,050	5,856	5,194
Building and Grounds	28,300	38,350	35,612	2,738
Public Works:				
Street Lighting	8,200	8,200	8,822	(622)
Community and Economic Development:				
Zoning	4,850	4,850	1,469	3,381
Recreation and Cultural:				
Park Facilities	26,250	29,800	28,031	1,769
Other:				
Insurance	7,000	7,000	8,917	(1,917)
Trash Day	2,500	2,500	2,244	256
Miscellaneous	21,700	19,260	4,578	14,682
• Payroll Taxes	3,500	3,900	1,700	2,200
Transfers Out:				
• Local Street Fund	13,000	14,000	13,918	82
Equipment Fund	2,803	2,900	2,803	97
Total Charges to Appropriations	\$ 171,053	\$ 191,185	\$ 153,408	\$ 37,777
Budgetary Fund Balance - February 28	\$ 246,422	\$ 262,345	\$ 237,794	\$ (24,551)

The Notes to the Financial Statements are an integral part of this statement.

Village of Onekama
 Budgetary Comparison Schedule - Major Street Fund
 For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
• Beginning of Year Fund Balance	\$ 51,104	\$ 51,104	\$ 51,104	\$ -
<u>Resources (Inflows)</u>				
State Grants	\$ 28,000	\$ 31,000	\$ 34,640	\$ 3,640
Interest	400	400	328	(72)
Amounts Available for Appropriation	\$ 28,400	\$ 31,400	\$ 34,968	\$ 3,568
<u>Charges to Appropriations (Outflows)</u>				
Public Works:				
Highways and Streets	\$ 34,900	\$ 36,800	\$ 30,184	\$ 6,616
Transfers Out:				
Local Street Fund	6,000	7,000	9,152	(2,152)
Total Charges to Appropriations	\$ 40,900	\$ 43,800	\$ 39,336	\$ 4,464
Budgetary Fund Balance - February 28	\$ 38,604	\$ 38,704	\$ 46,736	\$ 8,032

The Notes to the Financial Statements are an integral part of this statement.

Village of Onekama
 Budgetary Comparison Schedule - Local Street Fund
 For The Year Ended February 28, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
• Beginning of Year Fund Balance	\$ 39,596	\$ 39,596	\$ 39,596	\$ -
<u>Resources (Inflows)</u>				
State Grants	\$ 13,500	\$ 18,500	\$ 18,414	\$ (86)
Interest	250	250	293	43
Transfers In:				
General Fund	13,500	14,000	13,918	(82)
Major Street Fund	6,000	7,000	9,152	2,152
Amounts Available for Appropriation	\$ 33,250	\$ 39,750	\$ 41,777	\$ 2,027
<u>Charges to Appropriations (Outflows)</u>				
Public Works:				
Highways and Streets	\$ 42,850	\$ 45,625	\$ 35,611	\$ 10,014
Total Charges to Appropriations	\$ 42,850	\$ 45,625	\$ 35,611	\$ 10,014
Budgetary Fund Balance- February 28	\$ 29,996	\$ 33,721	\$ 45,762	\$ 12,041

The Notes to the Financial Statements are an integral part of the statement.

ADDITIONAL INFORMATION

Village of Onekama
Combining Balance Sheet
Non-Major Governmental Funds
February 28, 2005

	Liquor Fund	Cemetery Fund	Total Non-Major Governmental Funds
<u>Assets</u>			
Cash	\$ 1,997	\$ 17,353	\$ 19,350
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Interest Receivable	-	-	-
Franchise Fee Receivable	-	-	-
Total Assets	<u>\$ 1,997</u>	<u>\$ 17,353</u>	<u>\$ 19,350</u>
<u>Liabilities</u>			
Accounts Payable	\$ -	\$ 1,451	\$ 1,451
Due to Other Funds	118	1,934	2,052
Payroll Taxes Payable	-	-	-
Total Liabilities	<u>\$ 118</u>	<u>\$ 3,385</u>	<u>\$ 3,503</u>
<u>Fund Balance</u>			
Unreserved	\$ 1,879	\$ 13,968	\$ 15,847
Total Fund Balance	<u>\$ 1,879</u>	<u>\$ 13,968</u>	<u>\$ 15,847</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 1,997</u>	<u>\$ 17,353</u>	<u>\$ 19,350</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Onekama
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For The Year Ended February 28, 2005

	Liquor Fund	Cemetery Fund	Total Non-Major Governmental Funds
<u>Revenues</u>			
State Grants	\$ 1,532	\$ -	\$ 1,532
Charges for Services	-	785	785
Interest	7	171	178
Donations	-	850	850
Total Revenues	<u>\$ 1,539</u>	<u>\$ 1,806</u>	<u>\$ 3,345</u>
<u>Expenditures</u>			
Current:			
General Government	\$ -	\$ 9,454	\$ 9,454
Public Safety	1,416	-	1,416
Total Expenditures	<u>\$ 1,416</u>	<u>\$ 9,454</u>	<u>\$ 10,870</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ 123</u>	<u>\$ (7,648)</u>	<u>\$ (7,525)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ -	\$ -	\$ -
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 123	\$ (7,648)	\$ (7,525)
Fund Balance March 1, 2004	<u>1,756</u>	<u>21,616</u>	<u>23,372</u>
Fund Balance February 28, 2005	<u><u>\$ 1,879</u></u>	<u><u>\$ 13,968</u></u>	<u><u>\$ 15,847</u></u>

The Notes to Financial Statements are an integral part of this statement.